SWICK MINING SERVICES

Swick Mining Services Ltd
(ABN 20 112 917 905)
64 Great Eastern Highway
South Guildford WA 6055

PO Box 74
Guildford WA 6935
P: +61 8 9277 8800
F: +61 8 9277 8844

23rd December 2013 **ASX ANNOUNCEMENT**

SWICK – Market Update and Revised Guidance

- **A number of new contract awards and contract renewals in Q2 FY14 provide a record order book and will lead to improved utilisation of drill fleet in the second half.**
- **Despite challenging macro market conditions, Swick's Australian underground diamond drilling market share continues to grow due strong competitive advantage in operational performance.**
- **Clients have been conservative with drilling expenditure in the first half; however this appears to be easing as new budgets are approved.**
- **H1 FY14 revenue expected to be between \$54m and \$57m (down ~26% YOY), with H1 FY14 EBITDA margin in the range of 12% to 14% (down ~38% YOY).**
- **Forecast FY14 Full Year Revenue revised to between \$115m and \$125m (previously \$125m – \$135m), with an EBITDA margin between 14% – 16% (previously 18% – 20%).**

Western Australia – (December 19, 2013) – Swick Mining Services Limited ("Swick" or "the Company"; ASX: SWK), a leading provider of high quality and high value underground and surface mineral drilling services today provided a market update and revised guidance for FY14.

Market Update

Following on from the recent announcement in relation to the MMG contract awards, Swick is pleased to announce that those new contracts plus a number of key customer contract renewals now provide the Company with a record order book approaching three hundred million dollars.

Swick is currently in contract with 22 mining clients and operating at 26 individual mine sites. Every client is prudently managing expenditure as commodity markets remain subdued. This high quality contractual base is expected to provide Swick with many opportunities to grow rig utilisations and revenues when commodity prices and market sentiment normalises.

The Company previously advised that trading conditions were difficult, with material downside risk in all mineral drilling businesses. The trading conditions continued to deteriorate in the first half with the revenue reduction attributable to lower utilisation of drill rigs within existing contracts plus higher than normal contract ramp up expenses in an international contract leading to a lower group EBITDA margin.

Swick, however, remains committed to meeting its strategic objective of doubling metres per manhour from FY12 to FY17 during these tough macro market conditions. A total of seven Gen I to Gen II drill rig upgrades have been completed during the first half and will continue as planned.

The International business has been a major focus of management in the first half, with one European contract in particular requiring Swick to provide supplemental expatriate drilling resources, operations management and capital to overcome the drilling challenges and to setup for the expanded fleet currently being commissioned this month. Swick must ensure that it deploys the right equipment and develops the correct drilling methodology for any new region, but most importantly it must implement effective training of the local workforces on Swick's unique equipment and operating processes to ensure long term success.

As a result of this intense operational focus on international success, which is essential to Swick's long term global growth strategy, the international business suffered a loss in the first half, but is expected to return to profitably by Q4 FY14 as high powered Gen II underground diamond drill rigs are deployed and the expatriate labour ratios decrease as increased fleet utilisation occurs and local drill crews progress to full certification.

With the reduced fleet utilisation and the consequent reduction in revenue, as well as having a period of abnormal costs in international contracts, Swick expects its first half earnings to be down materially on the previous corresponding period. Based on the current run rate, revenue for H1 FY14 is expected to be in the range of $54m to $57m with an EBITDA margin of between 12% and 14%. This compares to H1 FY13 revenue of $76m and an EBITDA margin of 21%.

Kent Swick, Managing Director stated "*The global mineral drilling environment is very challenging at the moment. Swick was fortunate in the fact that the impact of the current global commodity downturn and client capital expenditure restrictions didn't materially affect the business until this half. So whilst the first half is down significantly on last year in terms of revenue and profit, shareholders should value the strategy the Company has in place and how it has provided reasonable protection to the business in a difficult macro market."*

"The culture of the Company to relentlessly pursue productivity without compromising safety or quality is what I am most proud of. This has provided the ability for Swick to win significant amounts of work in a highly competitive market that will provide a significant rebound in fleet utilisation and revenue in the second half."

"Whilst there may be questions about the international pursuits of the business, Swick must learn to operate in new regions and challenging ground types and become as proficient in these locations as we are in the Australian market. The longer term sustainable growth in Swick's niche service provision requires a significant international footprint. Global growth is essential to the long term future of the Company and, of course, shareholder returns. Swick is currently engaged in part of the business growth cycle that unfortunately is longer than any financial period and we have to expect that it will affect the group financials during that period. The Board remains absolutely committed to success in the international markets, despite the short term dilution of results.

FY14 Outlook

Based on the very strong order book the Company expects a rebound in utilisation in the second half and that the total rigs in work at the end of FY14 to be in line with rigs in work as at 30 June 2013. The softer first half utilisation and the international improvement strategy has materially affected the first half result so , the FY14 annual revenue is now expected to be in the range of $115m to $125m. The group EBITDA margin for the full year is expected to be in the range of 14% – 16%.

Although FY14 remains a challenging year, with the improving brownfield drilling sentiment and the recently announced contract awards, Swick believes it is well placed to enter FY15 with a strong run rate, robust order book and additional available fleet to take advantage of any increase in demand for drilling services.

About Swick Mining Services:

Swick Mining Services Ltd (ASX:SWK) is one of Australia's largest mineral drilling contractors, providing high quality underground and surface drilling services to a diverse group of mining houses and across a spread of commodities. The Company has a strong reputation for innovation in rig design and drilling practices that delivers improvements in productivity, safety, versatility and value. Swick has a global presence with Operational revenue from Australia, Canada, United States and Europe.

For further information re this announcement, please contact the following on +61 8 9277 8800:

Kent Swick
Managing Director

Bryan Wesley
Chief Financial Officer

Disclosure Statement:

These materials include forward looking statements. Forward looking statements inherently involve subjective judgement and analysis and are subject to significant uncertainties, risks and contingencies, many of which are outside of the control of, and may be unknown to, the Company. Actual results and developments may vary materially from those expressed in these materials. The types of uncertainties which are relevant to the Company may include, but are not limited to, commodity prices, political uncertainty, changes to the regulatory framework which applies to the business of the Company and general economic conditions. Given these uncertainties, readers are cautioned not to place undue reliance on such forward looking statements. Forward looking statements in these materials speak only at the date of issue. Subject to any continuing obligations under applicable law or any relevant stock exchange listing rules, the Company does not in providing this information undertake any obligation to publicly update or revise any of the forward looking statements or any change in events, conditions or circumstances on which any such statement is based.